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P N DALY LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED
30 SEPTEMBER 2005



Tenon Limited
Accountants and Business Advisers
Lewis House
12 Smith Street
Rochdale
Lancashire
OL16 1TX

P N DALY LIMITED

Annual report and financial statements for the year ended 30 September 2005

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Directors

P N Daly
J A Daly
B T Lillis
F P Daly

Secretary and registered office

J A Daly, Butterworth Hall Works, Charles Lane, Milnrow, Rochdale, Lancashire, OL16 3PA

Company number

871763

Accountants

Tenon Limited, Lewis House, 12 Smith Street, Rochdale, Lancashire, OL16 1TX

Auditors

Tenon Audit Limited, Lewis House, 12 Smith Street, Rochdale, Lancashire, OL16 1TX

Bankers

National Westminster Bank Plc, Town Hall Square, Rochdale, Lancashire, OL16 1LL

P N DALY LIMITED

Report of the directors for the year ended 30 September 2005

The directors present their report together with the audited financial statements for the year ended 30 September 2005.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend the payment of a dividend (2004 - £Nil) for the year.

Principal activities, trading review and future developments

The company's principal activity is civil engineering contractors.

Turnover for the year amounted to £31.17m (2004 - £29.10M) and the directors consider the trading result for the year under review to be satisfactory. The directors are cautiously optimistic for the forthcoming year.

Charitable and political contributions

During the year the company made charitable contributions of £1,019 (2004 - £2,066).

Disabled employees

Disabled persons are employed by the company when they appear to be suited to a particular vacancy. Where an existing employee becomes disabled every effort is made to continue to provide suitable employment, either in the same or in an alternative position.

Employee participation

The company places considerable value on the involvement of its employees and has continued its existing practice of keeping them informed on matters affecting them as employees and on various matters affecting the performance of the company.

Directors

The directors of the company during the year were as follows:

P N Daly
J A Daly
B T Lillis
P Barrett (resigned 18 November 2005)
B W Loftus (resigned 17 November 2005)
F P Daly

The directors who held office at 30 September 2005 had the following interests in the ordinary share capital at the beginning and end of the financial year:

	Ordinary shares of £1 each				Deferred ordinary shares of £1 each			
	2005	2004	2005	2004	2005	2004	2005	2004
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
P N Daly	154	446	154	446	52	8	52	8
J A Daly	10	446	10	446	1	-	1	-

At 30 September 2005 the number of non-beneficial ordinary shares of £1 each duplicated amounted to 446 (2004 - 446). None of the other directors had any interest in the shares of the company.

P N DALY LIMITED

Report of the directors for the year ended 30 September 2005 (Continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

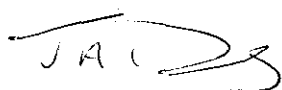
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

By order of the Board



J A Daly
Secretary

4 April 2006

P N DALY LIMITED

Independent auditors' report

To the shareholders of P N Daly Limited

We have audited the financial statements of P N Daly Limited for the year ended 30 September 2005 on pages 4 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Tenon Audit Limited

Tenon Audit Limited

Registered Auditors

Lewis House

12 Smith Street

Rochdale

Lancashire

OL16 1TX

19 April 2006

P N DALY LIMITED

Profit and loss account for the year ended 30 September 2005

	Note	2005 £	2004 £
Turnover	2	31,173,832	29,108,049
Cost of sales		<u>(27,709,695)</u>	<u>(24,907,674)</u>
Gross profit		3,464,137	4,200,375
Administrative expenses		<u>(2,546,733)</u>	<u>(3,648,453)</u>
Operating profit	5	917,404	551,922
Interest receivable	6a	285,955	119,594
Interest payable and similar charges	6b	<u>(82,262)</u>	<u>(66,820)</u>
Profit on ordinary activities before taxation		1,121,097	604,696
Taxation on profit from ordinary activities	7	<u>(363,029)</u>	<u>(158,071)</u>
Retained profit for the year transferred to reserves	16	<u>758,068</u>	<u>446,625</u>

All above amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.

P N DALY LIMITED

Balance sheet at 30 September 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Tangible assets	8		1,284,823		1,411,404
Current assets					
Stocks	9	3,334,348		2,667,631	
Debtors	10	3,420,186		5,939,643	
Investments	11	3,326,750		3,282,224	
Cash at bank and in hand		1,188,555		-	
			11,269,839	11,889,498	
Creditors: amounts falling due within one year	12	(7,306,511)		(8,769,006)	
Net current assets			3,963,328		3,120,492
Total assets less current liabilities			5,248,151		4,531,896
Creditors: amounts falling due after more than one year	13		(528,948)		(570,761)
Net assets			4,719,203		3,961,135
Capital and reserves					
Called up share capital	15		671		671
Capital redemption reserve			429		429
Profit and loss account	16		4,718,103		3,960,035
Equity shareholders' funds	17		4,719,203		3,961,135

The financial statements were approved by the Board on 4 April 2006.

P N Daly
Director

The notes on pages 7 to 15 form part of these financial statements.

P N DALY LIMITED

Cash flow statement for the year ended 30 September 2005

	Note	£	2005	£	£	2004	£
Net cash inflow from operating activities	21		1,342,926			1,081,660	
Returns on investments and servicing of finance							
Interest received		285,955		119,594			
Interest paid		(67,831)		(52,514)			
Interest element of hire purchase payments		(14,431)	203,693	(14,306)		52,774	
Taxation							
Corporation tax paid			(200,000)			(213,071)	
Capital expenditure							
Purchase of tangible fixed assets		(341,372)		(629,273)			
Sale of tangible fixed assets		68,250	(273,122)	41,169		(588,104)	
Net cash inflow before liquid resources and financing			1,073,497			333,259	
Cash placed on deposit			-			(420,404)	
			1,073,497			(87,145)	
Financing							
Capital element of hire purchase payments			(226,139)			(300,363)	
Increase/(decrease) in cash in the year	22		847,358			(387,508)	

The notes on pages 7 to 15 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less provision for allowances and excluding value added tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life, as follows:

Fixtures and fittings	- 10% per annum on written down value or 25% per annum on cost
Plant and machinery	- 35% per annum on written down value
Motor vehicles	- 35% per annum on written down value

Leased assets

Where assets are financed by leasing agreements or hire purchase contracts that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. In respect of work-in-progress cost includes appropriate overhead expenses.

Long term contracts

Turnover is calculated on the basis of the work done and, when a profitable outcome to the contract can be assessed with reasonable certainty, includes attributable profit. Attributable profit is calculated on a prudent basis for each contract by reference to the contract's cumulative turnover, total contract value and total profit estimated for the completed contract. Provisions for losses are made on all contracts in the period they are foreseen.

Amounts recoverable on contracts represents the excess of recorded turnover over amounts invoiced and is disclosed separately within debtors.

Advance and progress payments are included in creditors as payments on account to the extent that they exceed work in progress.

1 Accounting policies (*continued*)

Pension costs

Contributions paid under defined contribution schemes are charged to the profit and loss account as they are incurred.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

Staff costs (including directors) consist of:

	2005 £	2004 £
Wages and salaries	11,903,322	10,666,624
Social security costs	1,151,093	1,164,007
Other pension costs	308,142	261,359
	<u>13,362,557</u>	<u>12,091,990</u>

The average number of employees (including directors) during the year was as follows:

	2005 Number	2004 Number
Administration	24	21
Production	473	401
	<u>497</u>	<u>422</u>

P N DALY LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (Continued)

4 Directors	2005	2004
	£	£
Directors' emoluments consist of:		
Total emoluments	862,606	1,458,173
Company contributions to defined contribution pension schemes	104,603	161,428
	<u>967,209</u>	<u>1,619,601</u>
In respect of the highest paid director:		
Total emoluments	271,050	901,682
Company contributions to defined contribution pension schemes	72,836	-
	<u>343,886</u>	<u>901,682</u>
In addition to the above consultancy payments were made to a director as disclosed in note 24.		
	Number	Number
Number of directors receiving:		
Payments to defined contribution pension schemes	2	2
	<u>2</u>	<u>2</u>
5 Operating profit	2005	2004
	£	£
This has been arrived at after charging/(crediting):		
Depreciation	562,945	539,153
(Profit)/loss on sale of tangible fixed assets	(3,042)	23,352
Auditors' remuneration		
- audit	25,000	25,000
- other services	5,730	1,700
Operating lease rentals		
- land and buildings	40,000	40,000
	<u>562,945</u>	<u>562,945</u>
6a Interest receivable		
Bank interest	285,955	119,594
	<u>285,955</u>	<u>119,594</u>

P N DALY LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (Continued)

6b Interest payable and similar charges	2005 £	2004 £
On other loans	66,825	52,514
On hire purchase contracts	14,431	14,306
Other interest payable	1,006	-
	<u>82,262</u>	<u>66,820</u>

7 Taxation on profit from ordinary activities	2005 £	2004 £
Current tax		
UK Corporation tax on profits for the period	363,000	160,000
Adjustment in respect of previous years	29	(1,929)
	<u>363,029</u>	<u>158,071</u>

The tax assessed for the period differs from the standard rate of Corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>1,121,097</u>	<u>604,696</u>
Profit on ordinary activities at the standard rate of Corporation tax of 30% (2004 – 30%)	336,329	181,409
Effects of:		
Expenses not deductible for tax purposes	7,102	8,010
Depreciation in excess of capital allowances	13,132	46
Sundry timing differences	13,750	(5,059)
Adjustment in respect of previous years	29	(1,929)
Effect of lower tax rates	(7,313)	(24,406)
	<u>363,029</u>	<u>158,071</u>

8 Tangible fixed assets	Fixtures, and fittings £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 October 2004	150,067	846,002	2,676,668	3,672,737
Additions	13,804	113,001	374,767	501,572
Disposals	-	(104,762)	(270,908)	(375,670)
At 30 September 2005	163,871	854,241	2,780,527	3,798,639
<i>Depreciation</i>				
At 1 October 2004	107,560	549,195	1,604,578	2,261,333
Provided for the year	11,329	118,465	433,151	562,945
Disposals	-	(80,459)	(230,003)	(310,462)
At 30 September 2005	118,889	587,201	1,807,726	2,513,816
<i>Net book value</i>				
At 30 September 2005	44,982	267,040	972,801	1,284,823
At 30 September 2004	42,507	296,807	1,072,090	1,411,404

The net book value of tangible fixed assets includes an amount of £292,756(2004 - £346,264) in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £130,273 (2004 - £112,167).

9 Stocks	2005 £	2004 £
Raw materials and consumables	18,500	18,500
Work in progress	3,315,848	2,649,131
	3,334,348	2,667,631

The replacement cost of stocks is not materially different to their historic cost.

10 Debtors	2005 £	2004 £
Trade debtors	2,914,668	5,050,915
Amounts recoverable on contracts	161,371	485,964
Other debtors	14,369	16,866
Prepayments and accrued income	329,778	385,898
	3,420,186	5,939,643

Trade debtors at 30 September 2005 include amounts totalling £29,548 (2004 - £28,919) which fall due after more than one year.

11 Investments

Investments consist of short term deposits with the company's bankers.

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	625,723	240,000
Trade creditors	2,589,035	3,691,896
Corporation tax	323,029	160,000
Other taxes and social security costs	809,134	1,153,053
Hire purchase and finance lease obligations	151,794	175,920
Other creditors	1,022,967	1,177,281
Loans from directors	717,000	237,000
Accruals	1,067,829	1,933,856
	<u>7,306,511</u>	<u>8,769,006</u>

Bank overdraft balances at 30 September 2005 and 2004 comprise cash book balances; surplus funds are placed on overnight deposit. Bank transfers are made as appropriate between accounts, with the objective that daily bank statement balances are not overdrawn.

All hire purchase and finance lease obligations are secured on the tangible fixed assets to which they relate, as referred to in note 8.

At 30 September 2005 directors' loans of £717,000 (2004 - £237,000) were secured by way of a debenture on the assets of the company. These loans bear interest at 3% above the base rate of National Westminster Bank PLC.

13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Hire purchase	28,948	70,761
Loan from pension scheme	500,000	500,000
	<u>528,948</u>	<u>570,761</u>

The loan from the P N Daly Self Administered Pension Scheme is unsecured and is repayable by 23 December 2008; interest is charged at 3% above bank base rate.

14 Deferred taxation

At 30 September 2005 the potential deferred tax asset, none of which has been reflected in the financial statements, is as follows:

	2005 Potential £	2004 Potential £
Accelerated capital allowances	81,540	68,409
Sundry timing differences	8,593	(5,158)
	<u>90,133</u>	<u>63,251</u>

P N DALY LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

15 Share capital	2005 £	2004 £
Authorised		
1,000 (2004 - 1,000) Ordinary shares of £1 each	1,000	1,000
100 (2004 - 100) Deferred ordinary shares of £1 each	100	100
	1,100	1,100
Allotted, called up and fully paid		
610 (2004 - 610) Ordinary shares of £1 each	610	610
61 (2004 - 61) Deferred ordinary shares of £1 each	61	61
	671	671

Deferred ordinary shares carry no voting rights. The shares are entitled to an annual dividend, at the discretion of the directors, subject to a maximum of 0.5% of the amount paid up on each share. Otherwise, the shares carry no additional rights to participation in the company's profits or assets.

Details of directors' interests in the shares of the company are included in the directors' report.

16 Profit and loss account	£
1 October 2004	3,960,035
Retained profit for the year	758,068
	4,718,103
30 September 2005	

17 Reconciliation of movements in equity shareholders' funds	2005 £	2004 £
Profit for year	758,068	446,625
Opening equity shareholders' funds	3,961,135	3,514,510
	4,719,203	3,961,135
Closing equity shareholders' funds		

18 Capital commitments

At 30 September 2005 there were capital expenditure commitments of £Nil (2004 - £Nil).

19 Commitments under operating leases

As at 30 September 2005, the company had annual commitments under non-cancellable operating leases as set out below:

	2005 Land and buildings £	2004 Land and buildings £
Operating leases which expire:		
Within one year	<u>40,000</u>	<u>40,000</u>

20 Contingent liabilities

As at 30 September 2005, the company had given a performance bond in the sum of £420,404 (2004 - £420,404).

21 Reconciliation of operating profit to net cash inflow from operating activities

	2005 £	2004 £
Operating profit	917,404	551,922
Depreciation	562,945	539,153
Profit(loss) on sale of tangible fixed assets	(3,042)	23,352
Increase in stocks	(666,717)	(193,849)
Decrease/(increase) in debtors	2,519,457	(3,388,801)
(Decrease)/increase in creditors	(2,467,121)	3,548,347
Increase in directors' loans	480,000	1,536
	<u>1,342,926</u>	<u>1,081,660</u>
Net cash inflow from operating activities		

22 Reconciliation of net cash inflow to movement in net funds

	2005 £	£
Increase in cash in the year	847,358	
Cash outflow - hire purchase payments	226,139	
	<u> </u>	
Change in net funds resulting from cash flows		1,073,497
New hire purchase contracts		(160,200)
		<u> </u>
Movement in net funds in the year		913,297
Opening net funds		2,295,543
		<u> </u>
Closing net funds		3,208,840

P N DALY LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (Continued)

23 Analysis of net funds	At 1 October 2004 £	Cash flow £	Non Cash £	At 30 September 2005 £
Cash in hand and at bank	-	1,188,555	-	1,188,555
Bank overdraft	(240,000)	(385,723)	-	(625,723)
Overnight deposits	1,861,820	44,526	-	1,906,346
	<u>1,621,820</u>	<u>847,358</u>	<u>-</u>	<u>2,469,178</u>
Loan from pension scheme	(500,000)	-	-	(500,000)
Hire purchase and finance lease creditors	(246,681)	226,139	(160,200)	(180,742)
Current asset investments	1,420,404	-	-	1,420,404
	<u>2,295,543</u>	<u>1,073,497</u>	<u>(160,200)</u>	<u>3,208,840</u>

24 Related party transactions

During the year the company:

- paid £40,000 (2004 - £40,000) to P N and J A Daly, directors of the company, in respect of the rental of premises by the company, and paid interest, at a rate of 3% above bank base rate, of £28,274 (2004 - £16,887) to P N Daly on the balance of loans to the company. At 30 September 2005 the company owed P N Daly £717,000 (2004 - £237,000).
- In addition, the company paid £38,551 (2004 - £35,627) to the P N Daly Self Administered Pension Scheme ("the scheme") in respect of interest on a £500,000 (2004 - £500,000) loan advanced by the scheme to the company throughout the year (see note 13). P N and J A Daly are members of the scheme. At 30 September 2005 the company owed the scheme £500,000 (2004 - £500,000).
- During the year the company paid £Nil (2004 - £12,200) consultancy fees to B W Loftus, a director of the company. No monies were owed at 30 September 2005.

25 Ultimate controlling party

The company's ultimate controlling party is P N Daly, a director of the company.